

EXHIBIT 4

REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

GLOBE LIFE AND ACCIDENT INSURANCE COMPANY

NAIC # 91472 CDI # 2439-8

AMERICAN INCOME LIFE INSURANCE COMPANY

NAIC # 60577 CDI # 1908-3

LIBERTY NATIONAL LIFE INSURANCE COMPANY

NAIC # 65331 CDI # 1679-0

UNITED AMERICAN INSURANCE COMPANY

NAIC # 92916 CDI # 2505-6

UNITED INVESTORS LIFE INSURANCE COMPANY

NAIC # 94099 CDI # 2493-5

AS OF MARCH 31, 2002

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE

FIELD CLAIMS BUREAU

CONFIDENTIALITY STATEMENT

The Field Claims Bureau Examination Report contained herein, including any addendum hereto, is confidential unless and until the Insurance Commissioner, by the authority vested in him pursuant to Section 735.5 of the California Insurance Code, determines otherwise.

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CALIFORNIA DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
Ronald Reagan State Office Building
300 South Spring Street
Los Angeles, CA 90013



January 2, 2003

The Honorable Harry W. Low
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

GLOBE LIFE AND ACCIDENT INSURANCE COMPANY

NAIC # 91472

AMERICAN INCOME LIFE INSURANCE COMPANY

NAIC # 60577 CDI # 1908-3

LIBERTY NATIONAL LIFE INSURANCE COMPANY

NAIC # 65331 CDI # 1679-0

UNITED AMERICAN INSURANCE COMPANY

NAIC # 92916 CDI # 2505-6

UNITED INVESTORS LIFE INSURANCE COMPANY

NAIC # 94099 CDI # 2493-5

Hereinafter referred to as GL, AI, LN, UA, UI or the Companies.

This report is to be maintained as a confidential document pursuant to California Insurance Code section 735.5.

SCOPE OF THE EXAMINATION

The examination covered the claims handling practices of the aforementioned Companies during the period April 1, 2001 through March 31, 2002. The examination was made to discover, in general, if these and other operating procedures of the Companies conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. A report of violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. will be made available for public inspection and published on the Department's web site pursuant to Section 12938 of the California Insurance Code.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Companies for use in California including any documentation maintained by the Companies in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was primarily conducted at the headquarters of Globe Life and Accident Insurance Company in Oklahoma City, Oklahoma and American Income Life Insurance Company in Waco, Texas.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurer's practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer's proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period April 1, 2001 through March 31, 2002, commonly referred to as the "review period". The examiners reviewed 100 GL claims files, 154 AI claim files, 82 LN claim files, 119 UA claim files and 30 UI claim files. The examiners cited 356 claims handling violations of the California Insurance Code within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

Globe Life and Accident Insurance Company (GL)			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Individual Life	1,006	63	52
Individual Health	170	37	0
TOTALS	1,176	100	52

American Income Life Insurance Company (AI)			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Group and Individual Life	722	63	104
Group Accidental Death and Dismemberment	96	24	0
Individual Disability	2,453	67	49
TOTALS	3,271	154	153

Liberty National Life Insurance Company (LN)			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Individual Life	367	69	39
Individual Health	13	13	1
TOTALS	380	82	40

United American Life Insurance Company (UA)			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Individual Life	488	55	61
Individual Health	997	64	0
TOTALS	1,485	119	61

United Investors Life Insurance Company (UI)			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Individual Life	55	30	50
TOTALS	55	30	50

TABLE OF TOTAL CITATIONS						
Citation	Description	GL	AI	LN	UA	UI
CIC § 1879.2	The Companies failed to include California fraud warning on insurance forms.	18	112	16	33	30
CIC § 10172.5(c)	The Companies failed to specify the rate of interest to the beneficiary.	34	40	17	28	20
CIC § 10172.5(a)	The Companies failed to pay interest on a claim, unpaid longer than thirty days from the date of death.	0	1	7	0	0
Total Citations		52	153	40	61	50

SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. In response to each criticism, the Companies are required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Companies, it is the Companies' obligation to ensure that compliance is achieved. The total money recovered was \$149.03 within the scope of this report.

1. **The Companies failed to include California fraud language on insurance forms.** In 209 instances, the Companies failed to include the California fraud warning on insurance forms. The fraud warning used by the Companies on their forms did not conform to the language required in CIC § 1879.2. The Department alleges these acts are in violation of CIC § 1879.2.

Summary of Company Response: These errors were brought to the attention of the Companies and all pertinent forms are in the process of being revised in accordance with the cited code section. Copies of the revised forms will be provided to the Department and the Companies have advised their claims personnel accordingly.

2. **The Companies failed to notify the beneficiary that interest will be paid or failed to specify the rate of interest.** In 139 instances, the Companies failed to specify the rate of interest to the beneficiary. The Department alleges these acts are in violation of CIC § 10172.5(c).

Summary of Company Response: These errors were brought to the attention of the Companies and their procedures have been changed in order to assure compliance with the CIC § 10172.5(c). Claims personnel have been apprised of the errors noted during the on-site examination and management directives have been issued accordingly.

3. **The Companies failed to pay interest on a claim, unpaid longer than thirty days from the date of death.** In eight instances, the Companies failed to pay interest on a claim, unpaid longer than thirty days from the date of death. The Department alleges these acts are in violation of CIC § 10172.5(a).

Summary of Company Response: These errors were brought to the attention of the Companies and required interest payments were issued to the pertinent beneficiaries. Claims personnel have been apprised of the errors noted during the on-site examination and management directives have been issued accordingly. In addition, the Company has agreed to conduct a self-review of all claims, paying interest on any claim that was unpaid longer than third days from the date of death. The Company will report the results of the self-review to the Department.